

106TH CONGRESS
2D SESSION

S. 2564

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 16, 2000

Ms. SNOWE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “All American Cruise
5 Act of 2000”.

1 **TITLE I—TAX INCENTIVES FOR**
2 **CRUISE SHIP CONSTRUCTION**
3 **AND OPERATION**

4 **SEC. 101. TAX TREATMENT OF UNITED STATES-BUILT**
5 **CRUISE SHIPS DURING CONSTRUCTION PE-**
6 **RIOD.**

7 (a) AMENDMENT.—Section 460(e) of the Internal
8 Revenue Code of 1986 (relating to special rules for long-
9 term contracts) is amended by adding at the end the fol-
10 lowing new paragraph:

11 “(7) SPECIAL RULE FOR CRUISE SHIP CON-
12 STRUCTION CONTRACTS.—In the case of any con-
13 tract for the construction or overhaul of an ocean-
14 going cruise ship of at least 20,000 gross tons, a
15 contractor may, at the contractor’s election, use the
16 completed contract method of accounting for each
17 ship that is constructed or overhauled, provided
18 that—

19 “(A) the construction or overhaul of the
20 ship will take more than 12 months to complete
21 from the contract commencement date to the
22 date that the ship is delivered or returned to
23 the owner,

24 “(B) the reporting of revenue and costs for
25 each ship may not be deferred beyond the date

1 of delivery or return of the ship to the owner,
 2 and

3 “(C) when a contract provides for the con-
 4 struction or overhaul of more than 1 ship, each
 5 ship covered by the contract will be treated as
 6 an individual ship contract for the purpose of
 7 applying the completed contract method of ac-
 8 counting, and the reporting of revenue and
 9 costs for each ship may not be deferred beyond
 10 the date on which the ship is delivered or re-
 11 turned to the owner.”.

12 (b) EFFECTIVE DATE.—The amendment made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2000.

15 **SEC. 102. GROSS INCOME EXCLUSION FOR CRUISE SHIP OP-**
 16 **ERATIONS.**

17 (a) AMENDMENTS.—Part III of subchapter B of
 18 chapter 1 of the Internal Revenue Code of 1986 (relating
 19 to amounts specifically excluded from gross income) is
 20 amended by redesignating section 139 as section 140 and
 21 by inserting after section 138 the following new section:

22 **“SEC. 139. AMOUNTS DERIVED FROM CRUISE SHIP OPER-**
 23 **ATIONS.**

24 “(a) GENERAL RULE.—Gross income of a corpora-
 25 tion organized in the United States shall not include

1 amounts derived by the corporation from the operation of
 2 a cruise ship which was built in the United States and
 3 has a certificate of documentation issued under chapter
 4 121 of title 46, United States Code.

5 “(b) DEFINITION.—For purposes of subsection (a),
 6 the term ‘cruise ship’ means a seagoing passenger vessel
 7 of at least 20,000 gross tons that provides a full range
 8 of overnight accommodations, entertainment, dining, and
 9 other services for its passengers.”.

10 (b) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to taxable years beginning after
 12 December 31, 2000.

13 **SEC. 103. CREDIT FOR INCOME FROM CRUISE SHIP CON-**
 14 **STRUCTION CONTRACTS.**

15 (a) AMENDMENT.—Subpart D of part IV of sub-
 16 chapter A of chapter 1 of the Internal Revenue Code of
 17 1986 (relating to credits against tax) is amended by add-
 18 ing at the end the following new section:

19 **“SEC. 45D. CRUISE SHIP CONSTRUCTION CREDIT.**

20 “(a) GENERAL RULE.—In the case of a taxpayer de-
 21 scribed in subsection (b), there shall be allowed a credit
 22 against the taxes imposed by this chapter for the taxable
 23 year an amount equal to the amount of any income taxes
 24 that would be paid or accrued during the taxable year (but
 25 for this section) to the United States on the income real-

1 ized from any construction contract described in sub-
 2 section (c).

3 “(b) TAXPAYER DESCRIBED.—The taxpayer referred
 4 to in subsection (a) is a resident of the United States,
 5 or a corporation organized in the United States, whose
 6 average annual gross receipts for the 3 taxable years pre-
 7 ceding the taxable year in which such construction con-
 8 tract is entered into are not less than \$30,000,000.

9 “(c) CONSTRUCTION CONTRACT.—The construction
 10 contract referred to in subsection (a) is any contract for
 11 the construction of a cruise ship entered into by the tax-
 12 payer, in a case where the taxpayer estimates (at the time
 13 such contract is entered into) that the ship construction
 14 under the contract will be completed within the 2-year pe-
 15 riod beginning on the contract commencement date.

16 “(d) DEFINITION.—The term ‘cruise ship’ means a
 17 seagoing passenger vessel of at least 20,000 gross tons
 18 that provides a full range of overnight accommodations,
 19 entertainment, dining, and other services for its pas-
 20 sengers.”.

21 (b) EFFECTIVE DATE.—The amendment made by
 22 this section shall apply to taxable years beginning after
 23 December 31, 2000.

1 **SEC. 104. ACCELERATED DEPRECIATION.**

2 (a) AMENDMENTS.—Section 168(e)(3)(C) of the In-
3 ternal Revenue Code of 1986 (relating to accelerated cost
4 recovery) is amended—

5 (1) by striking “and” at the end of clause (i),

6 (2) by redesignating clause (ii) as clause (iii),

7 and

8 (3) by inserting after clause (i) the following
9 new clause:

10 “(ii) a seagoing passenger vessel of at
11 least 20,000 gross tons that provides a full
12 range of overnight accommodations, enter-
13 tainment, dining, and other services for its
14 passengers, and”.

15 (b) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to taxable years beginning after
17 December 31, 2000.

18 **SEC. 105. DEDUCTION FOR CERTAIN BUSINESS EXPENSES**
19 **ON CRUISE SHIPS.**

20 (a) IN GENERAL.—Section 274 of the Internal Rev-
21 enue Code of 1986 (relating to certain entertainment ex-
22 penses) is amended—

23 (1) in subsection (h)—

24 (A) in paragraph (2)—

25 (i) by striking “meets the require-
26 ments of paragraph (5) and”, and

1 (ii) by striking all after “trade or
 2 business” and inserting “and that the
 3 cruise ship is a United States-built vessel
 4 registered in the United States, or a for-
 5 eign-built vessel registered in the United
 6 States under section 8109 of Public Law
 7 105–56 or title III of the All American
 8 Cruise Act of 2000.”, and

9 (B) by striking paragraph (5) and by re-
 10 designating paragraphs (6) and (7) as para-
 11 graphs (5) and (6), respectively, and

12 (2) by striking paragraph (1) of subsection (m)
 13 and by redesignating paragraphs (2) and (3) as
 14 paragraphs (1) and (2), respectively.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 927(e)(3)(A) of the Internal Rev-
 17 enue Code of 1986 is amended by striking “section
 18 274(h)(6)(C)” and inserting “section 274(h)(5)(C)”.

19 (2) Section 936(d)(4)(B) of such Code is
 20 amended by striking “section 274(h)(6)(A)” and in-
 21 serting “section 274(h)(5)(A)”.

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to taxable years beginning after
 24 December 31, 2000.

1 **SEC. 106. CREDIT FOR USE OF CLEAN-BURNING GAS EN-**
 2 **GINES.**

3 (a) AMENDMENT.—Subpart B of part IV of sub-
 4 chapter A of chapter 1 of the Internal Revenue Code of
 5 1986 (relating to foreign tax credit, etc.) is amended by
 6 adding at the end the following new section:

7 **“SEC. 30B. CREDIT FOR USE OF CLEAN-BURNING ENGINES.**

8 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 9 lowed as a credit against the tax imposed by this chapter
 10 for the taxable year an amount equal to 20 percent of the
 11 annual cost of fuel consumed by clean-burning engines on
 12 a cruise ship that was built in the United States and is
 13 documented under the laws of the United States.

14 “(b) ADJUSTMENTS.—The credit allowed by sub-
 15 section (a) of this section for any taxable year shall not
 16 exceed the excess (if any) of—

17 “(1) the regular tax for the taxable year re-
 18 duced by the sum of the credits allowable under sub-
 19 part A and section 27, over

20 “(2) the tentative minimum tax for the taxable
 21 year.

22 “(c) DEFINITIONS.—For purposes of this section:

23 “(1) CLEAN-BURNING ENGINE.—The term
 24 ‘clean-burning engine’ means a gas turbine engine,
 25 manufactured in the United States or a possession

1 of the United States, that burns 100 percent dis-
 2 tillate fuel with less than 1.5 percent sulfur.

3 “(2) CRUISE SHIP.—The term ‘cruise ship’
 4 means a seagoing passenger vessel of at least 20,000
 5 gross tons that provides a full range of overnight ac-
 6 commodations, entertainment, dining, and other
 7 services for its passengers.”.

8 (b) CLERICAL AMENDMENT.—The table of sections
 9 for subpart B of part IV of subchapter A of chapter 1
 10 of such Code is amended by adding at the end the fol-
 11 lowing new item:

“Sec. 30B. Credit for use of clean-burning engines.”.

12 (c) EFFECTIVE DATE.—The amendments made by
 13 this section shall apply to taxable years beginning after
 14 December 31, 2000.

15 **TITLE II—CAPITAL CONSTRU-** 16 **CTION FUNDS FOR PASSENGER** 17 **VESSEL CONSTRUCTION**

18 **SEC. 201. AMENDMENTS TO MERCHANT MARINE ACT, 1936.**

19 (a) CHANGES IN VESSELS TO WHICH CAPITAL CON-
 20 STRUCTION FUNDS APPLY.—

21 (1) The second sentence of subsection (a) of
 22 section 607 of the Merchant Marine Act, 1936 (46
 23 U.S.C. App. 1177) is amended by striking “for oper-
 24 ation in the United States foreign, Great Lakes, or
 25 noncontiguous domestic trade or in the fisheries of

1 the United States” and inserting “for operation in
2 the fisheries of the United States, or in the United
3 States foreign, Great Lakes, or noncontiguous do-
4 mestic trade, or for operation as a passenger vessel
5 in the oceangoing domestic trade,”.

6 (2) Paragraph (1) of section 607(k) of such Act
7 (defining eligible vessel) is amended to read as fol-
8 lows:

9 “(1) The term ‘eligible vessel’ means any
10 vessel—

11 “(A) constructed in the United States, and
12 if reconstructed, reconstructed in the United
13 States;

14 “(B) documented under the laws of the
15 United States; and

16 “(C) operated in the foreign or domestic
17 commerce of the United States or in the fish-
18 eries of the United States.

19 A foreign-built passenger vessel temporarily docu-
20 mented with a coastwise trade endorsement under
21 section 8109 of Public Law 105–56 or title III of
22 the All American Cruise Act of 2000 shall be treated
23 as satisfying the requirements of subparagraph (A)
24 of this paragraph.”.

1 (3) Paragraph (2)(C) of section 607(k) of such
2 Act is amended to read as follows:

3 “(C) which the person maintaining the
4 fund agrees with the Secretary will be operated
5 in the fisheries of the United States, in the
6 United States foreign, Great Lakes, or non-
7 contiguous domestic trade, or (only in the case
8 of a passenger vessel) in the oceangoing domes-
9 tic trade.”.

10 (4) Subsection (f) of section 607 of such Act is
11 amended by adding at the end thereof the following
12 new paragraph:

13 “(3) In the case of amounts in any fund as of
14 the date of the enactment of this paragraph, and
15 any earnings thereon, for purposes of this sub-
16 section, the term ‘qualified withdrawal’ has the
17 meaning given such term by applying subsection
18 (k)(2) as of the date of enactment of the All Amer-
19 ican Cruise Act of 2000.”.

20 (5) Subsection (k) of section 607 of such Act
21 is amended by adding at the end thereof the fol-
22 lowing new paragraphs:

23 “(10) The terms ‘foreign commerce’ and ‘for-
24 eign trade’ have the meanings given such terms in
25 section 905 of this Act, except that in the case of

1 passenger vessels, these terms shall include com-
 2 merce or trade between foreign ports.

3 “(11) The term ‘passenger vessel’ means a sea-
 4 going passenger vessel of at least 20,000 gross tons
 5 that provides a full range of overnight accommoda-
 6 tions, entertainment, dining, and other services for
 7 its passengers.

8 “(12) The term ‘oceangoing domestic trade’
 9 means—

10 “(A) the operation of a passenger vessel on
 11 a coastwise voyage between points in the United
 12 States; or

13 “(B) the operation of a passenger vessel on
 14 a voyage to transport passengers to the high
 15 seas beginning at a point in the United States
 16 and returning to the same point without stop-
 17 ping at any other point.”.

18 (b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

19 (1) Paragraph (1) of section 607(f) of such Act
 20 is amended by striking “or” at the end of subpara-
 21 graph (B), by striking the period at the end of sub-
 22 paragraph (C) and inserting “, or”, and by inserting
 23 after subparagraph (C) the following new subpara-
 24 graph:

1 “(D) the payment of amounts which re-
 2 duce the principal amount (as determined under
 3 regulations promulgated by the Secretary) of a
 4 qualified lease of a qualified vessel or container
 5 which is part of the complement of an eligible
 6 vessel.”.

7 (2) Paragraph (4) of section 607(g) of such Act
 8 is amended by inserting “or to reduce the principal
 9 amount of any qualified lease” after “indebtedness”.

10 (3) Subsection (k) of section 607 of such Act
 11 is further amended by adding at the end thereof the
 12 following new paragraph:

13 “(13) the term ‘qualified lease’ means any lease
 14 with a term of at least 5 years.”.

15 (c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR
 16 YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (b)
 17 of section 607 of such Act is amended by adding at the
 18 end the following new paragraph:

19 “(4) To the extent permitted by joint regula-
 20 tions, deposits may be made in excess of the limita-
 21 tion described in paragraph (1) (and any limitation
 22 specified in the agreement) for the taxable year if,
 23 by reason of a change in taxable income for a prior
 24 taxable year that has become final pursuant to a
 25 closing agreement or other similar agreement en-

1 tered into during the taxable year, the amount of the
 2 deposit could have been made for such prior taxable
 3 year.”.

4 (d) TREATMENT OF CAPITAL GAINS AND LOSSES.—

5 (1) Paragraph (3) of section 607(e) of such Act
 6 is amended to read as follows:

7 “(3) The capital gain account shall consist of—

8 “(A) amounts representing long-term cap-
 9 ital gains (as defined in section 1222 of such
 10 Code) on assets referred to in subsection
 11 (b)(1)(C), reduced by

12 “(B) amounts representing long-term cap-
 13 ital losses (as defined in such section) on assets
 14 held in the fund.”.

15 (2) Subparagraph (B) of section 607(e)(4) of
 16 such Act is amended to read as follows:

17 “(B)(i) amounts representing short-term capital
 18 gains (as defined in section 1222 of such Code) on
 19 assets referred to in subsection (b)(1)(C), reduced
 20 by

21 “(ii) amounts representing short-term capital
 22 losses (as defined in such section) on assets held in
 23 the fund,”.

24 (3) Subparagraph (B) of section 607(h)(3) of
 25 such Act is amended by striking “gain” and all that

1 follows and inserting “long-term capital gain (as de-
 2 fined in section 1222 of such Code), and”.

3 (4) The last sentence of subparagraph (A) of
 4 section 607(h)(6) of such Act is amended by striking
 5 “20 percent (34 percent in the case of a corpora-
 6 tion)” and inserting “the rate applicable to net cap-
 7 ital gain under section 1(h) or 1201(a) of such
 8 Code, as the case may be”.

9 (e) COMPUTATION OF INTEREST WITH RESPECT TO
 10 NONQUALIFIED WITHDRAWALS.—

11 (1) Subparagraph (C) of section 607(h)(3) of
 12 such Act is amended—

13 (A) by striking clause (i) and inserting the
 14 following new clause:

15 “(i) no addition to the tax shall be
 16 payable under section 6651 of such
 17 Code,” and

18 (B) by striking “paid at the applicable rate
 19 (as defined in paragraph (4))” in clause (ii) and
 20 inserting “paid in accordance with section 6601
 21 of such Code”.

22 (2) Subsection (h) of section 607 of such Act
 23 is amended by striking paragraph (4) and by redes-
 24 ignating paragraphs (5) and (6) as paragraphs (4)
 25 and (5), respectively.

(3) Subparagraph (A) of section 607(h)(5) of such Act, as redesignated by paragraph (2) of this subsection, is amended by striking “paragraph (5)” and inserting “paragraph (4)”.

(f) OTHER CHANGES.—

(1) Section 607 of such Act is amended by striking “the Internal Revenue Code of 1954” each place it appears and inserting “the Internal Revenue Code of 1986”.

(2) Subsection (c) of section 607 of such Act is amended by striking “interest-bearing securities approved by the Secretary” and inserting “interest-bearing securities and other income-producing assets (including accounts receivable) approved by the Secretary”.

SEC. 202. AMENDMENTS OF INTERNAL REVENUE CODE OF 1986.

(a) TREATMENT OF CERTAIN LEASE PAYMENTS.—

(1) Paragraph (1) of section 7518(e) of the Internal Revenue Code of 1986 (relating to purposes of qualified withdrawals) is amended by striking “or” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, or”, and by inserting after subparagraph (C) the following new subparagraph:

1 “(D) the payments of amounts which re-
 2 duce the principal amount (as determined under
 3 regulations) of a qualified lease of a qualified
 4 vessel.”.

5 (2) Paragraph (4) of section 7518(f) of such
 6 Code is amended by inserting “or to reduce the prin-
 7 cipal amount of any qualified lease” after “indebted-
 8 ness”.

9 (b) AUTHORITY TO MAKE DEPOSITS FOR PRIOR
 10 YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a)
 11 of section 7518 of such Code is amended by adding at
 12 the end the following new paragraph:

13 “(4) AUTHORITY TO MAKE DEPOSITS FOR
 14 PRIOR YEARS BASED ON AUDIT ADJUSTMENTS.—To
 15 the extent permitted by joint regulations, deposits
 16 may be made in excess of the limitations described
 17 in paragraph (1) (and any limitation specified in the
 18 agreement) for the taxable year if, by reason of a
 19 change in taxable income for a prior taxable year
 20 that has become final pursuant to a closing agree-
 21 ment or other similar agreement entered into during
 22 the taxable year, the amount of the deposit could
 23 have been made for such prior taxable year.”.

24 (c) TREATMENT OF CAPITAL GAINS AND LOSSES.—

1 (1) Paragraph (3) of section 7518(d) of such
2 Code is amended to read as follows:

3 “(3) CAPITAL GAIN ACCOUNT.—The capital
4 gain account shall consist of—

5 “(A) amount representing long-term cap-
6 ital gains (as defined in section 1222) on assets
7 referred to in subsection (a)(1)(C), reduced by

8 “(B) amounts representing long-term cap-
9 ital losses (as defined in such section) on assets
10 held in the fund.”.

11 (2) Subparagraph (B) of section 7518(d)(4) of
12 such Code is amended to read as follows:

13 “(B)(i) amounts representing short-term
14 capital gains (as defined in section 1222) on as-
15 sets referred to in subsection (a)(1)(C), reduced
16 by

17 “(ii) amounts representing short-term cap-
18 ital losses (as defined in such section) on assets
19 held in the fund,”.

20 (3) Subparagraph (B) of section 7518(g)(3) of
21 such Code is amended by striking “gain” and all
22 that follows and inserting “long-term capital gain
23 (as defined in section 1222), and”.

24 (4) The last sentence of subparagraph (A) of
25 section 7518(g)(6) of such Code is amended by

1 striking “20 percent (34 percent in the case of a
 2 corporation)” and inserting “the rate applicable to
 3 net capital gain under such section 1(h) or 1201(a),
 4 as the case may be”.

5 (d) COMPUTATION OF INTEREST WITH RESPECT TO
 6 NONQUALIFIED WITHDRAWALS.—

7 (1) Subparagraph (C) of section 7518(g)(3) of
 8 such Code is amended—

9 (A) by striking clause (i) and inserting the
 10 following new clause:

11 “(i) no addition to the tax shall be
 12 payable under section 6651,” and

13 (B) by striking “paid as the applicable rate
 14 (as defined in paragraph (4))” in clause (ii) and
 15 inserting “paid in accordance with section
 16 6601”.

17 (2) Subsection (g) of section 7518 of such Code
 18 is amended by striking paragraph (4) and by redes-
 19 ignating paragraphs (5) and (6) as paragraphs (4)
 20 and (5), respectively.

21 (3) Subparagraph (A) of section 7518(g)(5) of
 22 such Code, as redesignated by paragraph (2) of this
 23 subsection, is amended by striking “paragraph (5)”
 24 and inserting “paragraph (4)”.

25 (e) OTHER CHANGES.—

1 (1) Paragraph (2) of section 7518(b) of such
2 Code is amended by striking “interest-bearing secu-
3 rities approved by the Secretary” and inserting “in-
4 terest-bearing securities and other income-producing
5 assets (including amounts receivable) approved by
6 the Secretary”.

7 (2) Paragraph (1) of section 7518(e) of such
8 Code is amended by striking the last sentence.

9 (3) Subsection (i) of section 7518 of such Code
10 is amended by striking “enactment of this section”
11 and inserting “enactment of the All American Cruise
12 Act of 2000”.

13 (4) Subparagraph (B) of section 543(a)(1) of
14 such Code is amended to read as follows:

15 “(B) interest on amounts set aside in a
16 capital construction fund under section 607 of
17 the Merchant Marine Act, 1936 (46 App.
18 U.S.C. 1177), or in a construction reserve fund
19 under section 511 of such Act (46 App. U.S.C.
20 1161).”

21 (5) Subsection (c) of section 56 is amended by
22 striking paragraph (2) and by redesignating para-
23 graph (3) as paragraph (2).

1 **SEC. 203. EFFECTIVE DATE.**

2 (a) IN GENERAL.—Except as otherwise provided in
3 this section, the amendments made by this title shall apply
4 to taxable years beginning after the date of the enactment
5 of this Act.

6 (b) CHANGES IN COMPUTATION OF INTEREST.—The
7 amendments made by sections 201(e) and 202(d) shall
8 apply to withdrawals made after December 31, 2000, in-
9 cluding for purposes of computing interest on such a with-
10 drawal for periods on or before such date.

11 (c) QUALIFIED LEASES.—The amendments made by
12 sections 201(b) and 202(a) shall apply to leases in effect
13 on, or entered into after, December 31, 2000.

14 **TITLE III—DOMESTIC CRUISE**
15 **INDUSTRY PHASE-IN**

16 **SEC. 301. DEFINITIONS.**

17 In this title:

18 (1) CRUISE SHIP.—The term “cruise ship”
19 means a passenger vessel as defined in section 2101
20 of title 46, United States Code, that is at least
21 20,000 gross tons and provides a full range of over-
22 night accommodations, entertainment, dining, and
23 other services for its passengers.

24 (2) OWNER OR OPERATOR.—The term “owner
25 or operator” means, in the case of a vessel, a person

1 owning or operating the vessel, or chartering the
2 vessel by demise.

3 (3) PERSON.—The term “person” means a cor-
4 poration, partnership, association, or individual.

5 (4) RELATED PERSON.—The term “related per-
6 son” means a person that is—

7 (A) a holding company, subsidiary, affil-
8 iate, or association of another person; or

9 (B) an officer, director, or agent of an-
10 other person.

11 (5) SECRETARY.—The term “Secretary” means
12 the Secretary of Transportation.

13 **SEC. 302. TEMPORARY DOCUMENTATION FOR FOREIGN-**
14 **BUILT CRUISE SHIP.**

15 (a) IN GENERAL.—Notwithstanding the provisions of
16 section 8 of the Act of June 19, 1886 (46 U.S.C. App.
17 289), and chapter 121 of title 46, United States Code,
18 the Secretary may issue a certificate of documentation,
19 with a conditional coastwise trade endorsement, to a for-
20 eign-built cruise ship that is otherwise in compliance with
21 section 27 of the Merchant Marine Act, 1920 (46 U.S.C.
22 App. 883), and section 12106 of title 46, United States
23 Code, only if the Secretary, based on information provided
24 by the owner or operator of the cruise ship, determines
25 that—

1 (1) the owner or operator, or a related person,
2 is obligated under a binding contract to construct in
3 the United States 2 or more cruise ships of a size
4 equal to or greater than the cruise ship being con-
5 sidered for documentation;

6 (2) the contract provides that the first cruise
7 ship to be constructed be delivered no later than 4
8 years after the contract is entered into, and that the
9 second cruise ship be delivered no later than 5 years
10 after the contract is entered into;

11 (3) each cruise ship to be constructed under the
12 contract is different from any cruise ship to be con-
13 structed under a contract that serves as the basis
14 for the issuance under this section of a certificate of
15 documentation for another foreign-built cruise ship;
16 and

17 (4) in the case of a contract for more than 2
18 ships in a series, the average period between the de-
19 livery dates of the ships under the contract does not
20 exceed 24 months.

21 (b) EXPIRATION.—A certificate of documentation
22 issued under subsection (a) shall expire and cease to be
23 valid on the date that is 12 months after the projected
24 delivery date for the last cruise ship to be built under the
25 construction contract furnished by the owner or operator

1 upon applying for documentation. The Secretary shall
 2 specify the expiration date on the face of the certificate
 3 of documentation.

4 (c) TRANSFER OF REGISTRY.—Notwithstanding sec-
 5 tion 9(c) of the Shipping Act, 1916 (46 U.S.C. App.
 6 808(c)), a person may—

7 (1) sell, lease, charter, deliver, or in any man-
 8 ner transfer, or agree to sell, lease, charter, deliver,
 9 or in any manner transfer, to a person that is not
 10 a citizen of the United States, any interest in or
 11 control of a foreign-built cruise ship documented
 12 under subsection (a) of this section; or

13 (2) place that cruise ship under foreign registry
 14 or operate that ship under the authority of a foreign
 15 country.

16 **SEC. 303. PERMIT REQUIRED FOR FOREIGN-BUILT CRUISE**
 17 **SHIPS.**

18 (a) IN GENERAL.—A foreign-built cruise ship docu-
 19 mented under section 302 shall not operate in coastwise
 20 trade unless the owner or operator holds a permit issued
 21 by the Secretary that authorizes the ship to transport pas-
 22 sengers on itineraries between ports of the United States
 23 or between a port of the United States and a foreign port.

24 (b) EXCLUSIONS.—A permit issued under this section
 25 shall prohibit the cruise ship from—

1 (1) operating as a ferry;

2 (2) regularly carrying for hire vehicles or other
3 cargo; or

4 (3) operating between or among islands or
5 other points in the State of Hawaii.

6 (c) EXPIRATION.—The permit shall expire on the ex-
7 piration date specified on the certificate of documentation
8 issued for the cruise ship involved, and the expiration date
9 shall be printed on the face of the permit.

10 (d) PENALTY.—A person who fails to comply with the
11 terms and conditions of a permit issued under this section,
12 or operates a foreign-built cruise ship in the coastwise
13 trade without such a permit, is liable to the United States
14 Government for a civil penalty of not more than \$10,000.
15 Each day of a continuing violation is a separate violation.

16 **SEC. 304. REVOCATION OF COASTWISE TRADE ENDORSE-**
17 **MENT AND PERMIT.**

18 The Secretary shall revoke both the coastwise trade
19 endorsement issued under section 302, and the permit
20 issued under section 303, if the Secretary determines that
21 the owner or operator of the cruise ship involved is not
22 in substantial compliance with the terms and conditions
23 of—

1 (1) the ship construction contract that was the
2 basis for issuance of documentation under section
3 302; or

4 (2) the permit issued under section 303.

5 **SEC. 305. APPLICATION TO OTHER PROVISIONS OF LAW.**

6 Nothing in this title affects or otherwise modifies the
7 authority contained in and granted to a person by section
8 8109 of the Department of Defense Appropriations Act,
9 1998 (Public Law 105–56; 111 Stat. 1244).

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